

Credit Rating and Scoring Models

Advances in Theory and Application

A conference sponsored by the Office of the Comptroller of the Currency

May 17-19, 2004 • Hilton Mark Center Hotel • Alexandria, Virginia

Monday, 17 May

11:00am - 1:00pm

On-Site Registration

1:30pm

Welcome

C. Erik Larson (OCC)

Opening Remarks

John D. Hawke Jr., Comptroller of the Currency

2:00pm - 4:30pm

SESSION I: Perspectives on the State of Credit Modeling

Chair: C. Erik Larson (OCC)

"The Interest of Bank Supervisors in Credit Rating"

Jeffrey Brown (OCC)

***"Creating Standards for Risk Assessment:
Lessons from the FICO Score"***

Hollis Fishelson-Holstine (Fair Isaac Corp.)

"Frontiers of Credit Scoring"

Jonathan Crook (Edinburgh)

"Credit Modeling in the Banking Industry"

Kyle Lundstedt (VaRisk)

5:30pm - 7:00pm

Cocktail & Hors D'oeuvres Reception

Tuesday, 18 May

7:15am

Continental Breakfast

8:00am - 9:45am

**SESSION II: Methodological Innovations in
Rating and Scoring**

Chair: Nicholas Kiefer (OCC and Cornell)

***"Estimating Loan Transition Probabilities Using an
Information Theoretic Approach"***

Dennis Glennon (OCC)

"Auctioning Experts in Credit Modeling"

Robert Stine (Wharton)

"Quantile-Based Methods for Credit Scoring"

Halbert White (UC San Diego and Bates-White LLC)
and Robert Lieli (UC San Diego)

Discussant: Gary Wilhite (Wachovia)

10:00am - 11:45am

**SESSION III: Frontiers of Applied Corporate
Credit Modeling**

Chair: PC Venkatesh (OCC)

"Forecasting Default with the KMV-Merton Model"

Tyler Shumway (Michigan)

"Credit Risk and Risk-Neutral Default Probabilities"

Robert Geske (UCLA)

***"Valuing Callable Corporate Bonds in a Reduced Form Model
Using a Call Intensity Process"***

Chunchi Wu (Syracuse)

Discussant: Jorge Sobehart (Citigroup)

12:00pm - 1:20pm

Luncheon

1:30pm - 3:15pm

SESSION IV: Understanding Reject Inference

Chair: Jeffrey Brown (OCC)

"Statistical and Conceptual Issues in Credit Scoring"

Nicholas Kiefer (Cornell and OCC)

"Reject Inference for Consumer Credit Scoring"

Ad Feelders (Universiteit Utrecht)

***"Reject Inference in Small Business
Lending Underwriting Models"***

Elbert Chen (Wells Fargo)

Discussant: Dennis Ash
(Federal Reserve Bank of Philadelphia)

3:30pm - 5:15pm

SESSION V: Key Issues in Severity Modeling

Chair: Mitchell Stengel (OCC)

***“Defaulted Debt Prices, Ultimate Recoveries,
and Systematic Risk of Defaulted Debt”***

Mark Carey and Michael Gordy
(Federal Reserve Board of Governors)

“Modeling Loss Given Default - A Practitioner’s Perspective”

Michel Araten (JPMorgan/Chase)

6:45pm - 10:00pm

Cocktails and Banquet

Conference Keynote Speaker:
Bruce Lehmann (UC San Diego)

Wednesday, 19 May

7:15am

Continental Breakfast

8:00am - 9:45am

**SESSION VI: Using Scoring Tools to
Enhance Profitability**

Chair: M. Nazmul Hasan (OCC)

“Optimization of Early Stage Collections”

Adam Lin (Bank One)

“Line Assignment Optimization”

Frank Zhao (JPMorgan/Chase)

***“Managing Credit Lines and Prices for
Bank One Credit Cards”***

Shane P. Pederson (Bank One)

Discussant: Robert Avery
(Federal Reserve Board of Governors)

10:00am - 11:45am

SESSION VII: Understanding the Dynamics of Ratings

Chair: Dennis Glennon (OCC)

“Corporate Credit Risk Modeling and the Macro Economy”

Tor Jacobson (Svergies Riksbank)

***“Modeling Mortgage Default and
Prepayment as Competing Risks”***

Arden Hall and Stewart Brown (Wells Fargo)

***“Testing Simple Markov Structures
for Credit Rating Transitions”***

C. Erik Larson (OCC)

Discussant: Sunil Sharma (IMF Institute)

12:00pm - 1:20pm

Luncheon

1:30pm - 3:45pm

SESSION VIII: Model Validation Methodologies

Chair: C. Erik Larson (OCC)

***“Validating Forecasts of the Joint Probability Distribution of
Bond Yields: Can Affine Models Beat Random Walk?”***

Yongmiao Hong (Cornell)

“Cross-Validation Approaches to Model Validation”

Peter Abken (Bank of America)

“Good Practice in Retail Credit Scorecard Assessment”

David Hand (Imperial College, London)

Discussant: Mark Levonian
(Federal Reserve Bank of San Francisco)

4:00pm - 5:00pm

Panel Discussion: What Have We Learned?

Panel Members:

Nicholas Kiefer (Cornell)

Martin O'Connor (Experian - SCOREX)

William Lang (Federal Reserve Bank of Philadelphia)

Ashish Dev (KeyCorp)

Balvinder Sangha (Ernst & Young)

Tentative Program Organizing Committee Co-Chairs

C. Erik Larson, OCC (erik.larson@occ.treas.gov)

Nicholas M. Kiefer, Cornell University and OCC (nickkiefer@aol.com)

For further info on the conference visit <http://www.occ.treas.gov/crsm.htm>